

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Coldsprings-Excelsior Volunteer Fire and Rescue Department	County Kalkaska
Audit Date 3/31/06	Opinion Date 8/2/06	Date Accountant Report Submitted to State: 8/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C. 400 E. EIGHTH ST. TRAVERSE CITY, MI 49686-2668			
Certified Public Accountant (Firm Name)	Street Address 231-947-0151	City	State ZIP
Accountant Signature <i>David J. Tobin</i>	Date 8-18-06		

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements of the Coldsprings-Excelsior Volunteer Fire and Rescue Department, Kalkaska County, for the year ended March 31, 2006, and have issued our report thereon. As part of our examination, we made a study and evaluation of the joint Department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the joint Department's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation, made for the limited purposes described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the joint Department taken as a whole. As a result of our examination, however, we deem it necessary to make the following comments and recommendations.

General

The Coldsprings-Excelsior Volunteer Fire and Rescue Department was organized by the two Township Boards to provide fire protection, ambulance and emergency rescue service to their respective residents. The Department is financed by a special voted tax, levied by each of the two townships. The Coldsprings Township Treasurer is the treasurer of the Department, receives and deposits all funds of the Department, and disburses funds on order of the joint Fire and Rescue Board.

Accounting Records

The accounting records were maintained in very good condition by the Clerk and Treasurer of the joint Department. The Uniform Chart of Accounts, developed by the State of Michigan, is being utilized. The Clerk maintains cash receipts and disbursements journals and a spreadsheet general ledger. Supporting documents and follow up procedures appeared adequate. Board minutes were maintained in good order.

Budgets and Procedures

A budget was adopted for the General Operating Special Revenue Fund of the Department, and we were pleased to note that no line item exceeded its original budget without amendment. The Department appears to be in compliance with the provisions of Act 621 of 1978 (Uniform Budgeting Act).

General Operating Special Revenue Fund

This Fund, presented on Schedule 1, is utilized to account for appropriations of the participating townships, federal grants, charges for services, and contractual payments from other neighboring units. It reflects the general administrative expenses of the joint Department. Based on the Uniform Chart of Accounts, the fund belongs in the Special Revenue Funds category and is treated as such in this report.

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Comments and Recommendations

Revenues for the audit year totaled \$241,215, while expenditures totaled \$240,180. The fund balance at March 31, 2006 was \$311,275.

Payroll Records

Records reflect that federal and State income taxes and Social Security tax are withheld where required and paid out to the proper agencies. Forms, records and reports appeared in good order.

Insurance and Surety Bond Coverage

Records indicate that the Department has such insurance coverage as equipment, workmen's compensation, liability, and crime. The Department Board President and Treasurer are covered by security bonds.

Other Data

After the completion of our audit, we will mail the necessary copies of our audit report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor during the conduct of the audit. Your confidence is respected. Please contact us if questions or problems arise.

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Coldsprings-Excelsior Volunteer Fire and Rescue Department
Kalkaska County
Kalkaska, Michigan 49646


We have audited the accompanying basic financial statements of Coldsprings-Excelsior Volunteer Fire and Rescue Department, Kalkaska County, as of and for the year ended March 31, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coldsprings-Excelsior Volunteer Fire and Rescue Department, Kalkaska County, Michigan at March 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



Tobin & Co., P.C.
August 2, 2006

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Statement of Net Assets and Governmental Fund Balance Sheet

March 31, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
Cash	\$ 305,568	\$ -	\$ 305,568
Receivables	5,707	-	5,707
Capital Assets			
Other Capital Assets, Net of Depreciation	-	307,121	307,121
Total Assets	<u>\$ 311,275</u>	<u>\$ 307,121</u>	<u>618,396</u>
<u>Liabilities</u>			
Total Liabilities	\$ -	\$ -	-
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Restricted	71,882	(71,882)	-
Unrestricted	<u>239,393</u>	<u>(239,393)</u>	-
Total Fund Balances	<u>311,275</u>		
Total Liabilities and Fund Balances	<u>\$ 311,275</u>		
<u>Net Assets</u>			
Invested in Capital Assets		307,121	307,121
Restricted		71,882	71,882
Unrestricted		<u>239,393</u>	<u>239,393</u>
		<u>\$ 307,121</u>	<u>\$ 618,396</u>

The notes to the financial statements are an integral part of this statement.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

For the Year Ended March 31, 2006

<u>Expenditures/expenses:</u>	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
Public Safety	\$ 240,180	\$ (66,083)	\$ 174,097
Total Expenditures/expenses	<u>240,180</u>	<u>(66,083)</u>	<u>174,097</u>
<u>Program Revenues:</u>			
Charges for Services	22,777	-	22,777
Operating Grants and Contributions	208,464	-	208,464
Miscellaneous	<u>5,339</u>	<u>-</u>	<u>5,339</u>
Total Program Revenues	<u>236,580</u>	<u>-</u>	<u>236,580</u>
Net Program Revenues (Expenses)	(3,600)	66,083	62,483
<u>General Revenues:</u>			
Interest	<u>4,635</u>	<u>-</u>	<u>4,635</u>
Excess Revenues (Expenditures)	1,035	-	-
Change in Net Assets	-	-	67,118
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	<u>310,240</u>	<u>241,038</u>	<u>551,278</u>
End of the Year	<u>\$ 311,275</u>	<u>\$ 307,121</u>	<u>\$ 618,396</u>

The notes to the financial statements are an integral part of this statement.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Townships of Coldsprings and Excelsior, Kalkaska County, Michigan, organized a joint Fire and Rescue Department to service the two Townships and appointed a joint Board to oversee the operation. The Department is financed through a special voted tax levied by each Township.

The Department's basic financial statements include the accounts of all Department operations. The criteria for including organizations within the Department's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Department. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Department has presented the following governmental funds:

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Department. Revenues are derived primarily from local distributions or grants.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budgets approved and amended by the Board.

In the body of the financial statements, the actual and budgeted expenditures for the budgetary fund has been shown on a function basis. The approved budget for this fund was adopted on a function basis.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	15 years
Vehicles	5 to 10 years
Equipment	4 to 15 years

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Investments

Records reflect no investments for the audit year.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provision of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, no function exceeded its budget by without formal amendment by the Board.

NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$307,121 used in governmental activities are not current financial resources and therefore are not reported in the fund.

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation for Department assets by \$66,083 for the year.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1998, states that the Board, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

4. In repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Department had \$310,698 deposited with local banks at March 31, 2006 with a carrying value of \$305,568. Interpreting the FDIC insurance coverage of \$100,000 per demand deposit account and \$100,000 per time deposit account in each depository, the Department had \$199,713 of uninsured deposits at March 31, 2006.

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2006

NOTE 6 - CAPITAL ASSETS

	<u>3/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/06</u>
Governmental Activities:				
Land Improvements	\$ 15,000	\$ -	\$ -	\$ 15,000
Vehicles	483,155	90,786	-	573,941
Equipment	<u>48,587</u>	<u>36,257</u>	-	<u>84,844</u>
	546,742	127,043	-	673,785
Less Accumulated Depreciation	<u>(305,704)</u>	<u>(60,960)</u>	-	<u>(366,664)</u>
Governmental Activities Capital Assets, Net	<u>\$ 241,038</u>	<u>\$ 66,083</u>	<u>\$ -</u>	<u>\$ 307,121</u>

NOTE 7 - INVENTORIES

The Department does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

NOTE 8 - PENSION PLAN

The Department does not sponsor a pension plan for its employees. All employees are covered by Social Security.

NOTE 9 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Department addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 10-COMPENSATED ABSENCES

The Department does not provide for payment to employees for unused sick leave, accumulated leave, etc.

SUPPLEMENTAL DATA SECTION

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Coldsprings-Excelsior Volunteer Fire and Rescue Department

Schedule 1

Page 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Operating Fund

For the Year Ended March 31, 2006

	<u>Budgetary Amounts</u>			<u>Variance</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Contributions from Local Units:				
Coldsprings Township	\$ 106,700	\$ 106,700	\$ 106,409	\$ (291)
Excelsior Township	58,100	58,100	61,501	3,401
Federal Grants:				
FEMA	40,229	40,229	40,554	325
Charges for Services:				
Ambulance Fees	5,000	5,000	11,327	6,327
Contractual	11,500	11,500	11,450	(50)
Interest and Rent:				
Interest	3,000	3,000	4,635	1,635
Other:				
Refunds and Reimbursements	2,100	2,100	2,839	739
Sale of Fixed Assets	2,000	2,000	2,500	500
Total Revenues	<u>228,629</u>	<u>228,629</u>	<u>241,215</u>	<u>12,586</u>
<u>Expenditures</u>				
Salaries and Wages	46,000	46,000	36,352	9,648
Office Supplies	2,500	2,500	1,920	580
Legal/Audit	1,000	400	-	400
Operating Supplies	3,000	2,865	1,185	1,680
Gas and Oil	2,000	3,200	2,572	628
Professional and Training	12,000	12,000	7,064	4,936
Insurance	23,000	23,000	21,079	1,921
Utilities, Telephone and				
Snow Removal	11,500	11,500	9,575	1,925
Repairs and Maintenance	10,000	10,135	10,135	-
Other	250	844	842	2
Payroll Taxes	3,000	3,000	2,781	219
Capital Outlay	151,000	149,806	141,639	8,167
Tax Tribunal Refund	5,200	5,200	5,036	164
Total Expenditures	<u>270,450</u>	<u>270,450</u>	<u>240,180</u>	<u>30,270</u>
Excess Revenues (Expenditures) (1) \$	<u>(41,821)</u>	<u>(41,821)</u>	1,035	<u>\$ 42,856</u>
Fund Balance – Beginning of Year			<u>310,240</u>	
Fund Balance – End of Year			<u>\$ 311,275</u>	

(1) Budgeted from Fund Balance.

The Notes to the Financial Statements are an integral part of this statement.